

# Inland Transit Coverage

On behalf of the WGP 66 (10) working group

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# Working Group members

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# Agenda

- Introduction
- Definition of Inland Transit / History of Coverage
- Differences Inland Transit vs Marine Cargo
- Main Exposures / Impact on DSU
- Loss Examples
- Conclusions & Best Practice Recommendations

# Introduction – The issues addressed

- Are clients currently getting adequate Inland Transit coverage?
- Is Inland Transit currently being adequately underwritten or are there risks for too large losses with this coverage?
- Is there room to improve both coverage and loss control for Inland Transit extensions?
- If so, what key issues need to be addressed – what are key learnings and Best Practice recommendations?

# Introduction

- Inland Transit – a “simple” add-on to CAR/EAR policy?
- Inland Transit extension => fairly common in today’s project wordings
- Inland Transit loss examples difficult to find
- Effect on DSU in case of a covered Inland Transit loss can be substantial
- Working Group conclusion => pay adequate attention to this extension

# Introduction: Original purpose of Inland Transit coverage

- Fill gap between Cargo and CAR/EAR policies after materials / items reach storage locations
- Simple way to insure materials
  - Transported from storage to site
  - Transported through different parts of the site
  - No time limitation applied to the cover

*In contrast, transportation from source supplier to construction and/or storage site => Is covered by a separate Cargo policy*

# Definition of Inland Transit

- Focus on exposures in conjunction with construction risks
- Shipments are primarily
  - specific
  - one-off
  - materials which will form part of the final completed project
- 3 distinct transit exposures
  - Supplier to project site or temporary off-site storage
  - Temporary off-site storage to project site
  - Transportation of materials within project site



# Definition: Different Inland Transit Wordings

- Wordings as diverse as our globe
- All risks basis to very specific, limitative extensions
- Geographic limitation to state / country / continent
- Transportation on land only – including inland waters or even coastal waters
- Transport by river, sea, air normally excluded
- Some wordings include off-site storage



# Differences Inland Transit vs Marine Cargo (1/3)

	Inland Transit	Marine Cargo
<b>Scope of cover / Wording</b>	Generic All Risk basis	Precise and complete, usually international clauses
<b>Geographic Scope</b>	Mostly limited to country of project	Territorial scope as wide as required
<b>Means of Transportation</b>	Transportation by river at times covered, sea or air excluded	Any means of transport covered

# Differences Inland Transit vs Marine Cargo (2/3)

	<b>Inland Transit</b>	<b>Marine Cargo</b>
<b>Exclusions / Limitations</b>	Few only, except for geographic scope and indemnity limits	Very clearly specified
<b>Deductibles</b>	Normally works deductible applies	At times no deductible at all
<b>Price of cover</b>	Mostly included in overall premium of project policy	Specific premium

# Differences Inland Transit vs Marine Cargo (3/3)

	Inland Transit	Marine Cargo
<b>Aggregation</b>	Usually none	Usually greater aggregation of total values => size of transportation means
<b>Claims handling</b>	Property or Engineering adjusters	Very specialized adjusters

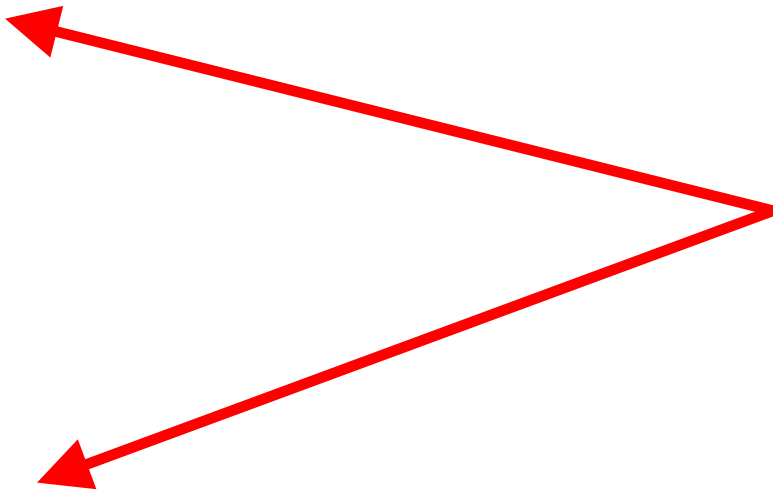
# Main exposures – *Often not carefully considered*

- Routes for Transportation (length of journeys)
- Permanent vs temporary roads
- Types of goods to be transported
  - Dimensions
  - Weights
  - Quantities
  - Values
- Loading / Unloading of goods
- Handling and securing methods (including packaging)

## DSU – *A connected exposure*

- Inland Transit coverage extension => trigger for DSU?
- Length of journeys, routes, conditions of roads
- Trans-shipment points – borderline Marine to CAR/EAR policy
  - proper survey when off-loading goods from ocean going vessels
  - 50/50 clause usually not applicable to DSU claim
  - detect material damage claim at time of off-loading
- Key items – lead delivery times

# Loss Example – Road Transport of Transformer



- Transit from port to site
- Trailer overturned after 90 deg right turn
- Hydraulic system incorrectly adjusted
- Total loss
- Cause:  
Negligence of trailer operator

# Loss Example – Railway Transport of a 450 MVA Transformer

- Transit from harbour to sub-station
- Transformer lying on side, HV side on the ground
- Dry air gauge showed no pressure loss => transformer tank not ruptured

# Loss Example – Railway Transport of a 450 MVA Transformer

- However.....  
All 3 leg cores and their coils/windings were displaced
- Internal support structures distorted / broken
- Total loss
- Cause: most likely lack of maintenance on rail tracks



# Loss Example – Road Transport of .....

- Where is this bridge section?

# Loss Example – Road Transport of a Gas Turbine

- Transit from port to site
- Collapse of a section of the bridge

# Loss Example – Road Transport of a Gas Turbine

- Loss: very costly
- Cause:  
Probably overload

# Conclusions – The issues addressed

- Inland Transit coverage currently provided varies greatly
  - If not enough, clients could face a coverage gap
  - If too much, clients may be paying twice due to an overlap with Marine coverages
- Inland Transit can represent an important source of losses, also under DSU – and hence requires more focused underwriting
- Several aspects should be more actively addressed when underwriting Inland Transit extensions in order to improve coverage and loss control – *See Best Practice Recommendations*

# Best Practice Recommendations

- Define up front what intent and extent of the coverage are using standard check lists\* – *and especially considering global marine underwriting practice*
- Seek input from a Marine Cargo underwriter for major risks
- Consider impact on DSU section
- Consider involving surveyors for major equipment handling
- Consider potential impact on your premium calculation

***In summary – pay adequate attention to the Inland Transit coverage extension to ensure appropriate coverage and pricing***

\* A check list is provided as part of the IMIA WGP66 (10) Working Paper “Engineering Insurance: Inland Transit Coverage”.

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